

New Delhi, the 11th July, 2011.

OFFICE MEMORANDUM

Subject : Expenditure Management – Economy Measures and Rationalisation of Expenditure.

1. Background

Instructions on expenditure management have been issued from time to time by the Ministry of Finance, Department of Expenditure with a view to ensure availability of adequate resources for meeting the objectives of critical development and priority schemes. These measures are intended at promoting fiscal discipline without restricting the operational efficiency of the Government.

2. Economy Measures

In view of the commitment of the Government to carry on the process of fiscal consolidation vigorously and to meet the fiscal and revenue deficit targets announced in the Budget 2011-12, there is need for economy and rationalisation of expenditure. In this context, the Budget Division, Department of Economic Affairs has, vide Office Memorandum No.4(5)-W&M/2011 dated May 2, 2011 issued instructions on the steps to be taken for fiscal and expenditure management in 2011-12. In continuation of those instructions, the following measures for fiscal prudence and economy will come into force with immediate effect:-

2.1 Seminars and Conferences

- (i) Utmost economy shall be observed in organizing conferences/Seminars/ workshops. The prescribed expenditure ceilings for holding seminars, conferences, workshops etc. should be enforced and only such conferences, workshops, seminars, etc. which are absolutely essential, should be held. A

10% cut on budgetary allocations for seminars/conferences shall be effected.

- (ii) Holding of exhibitions/seminars/conferences abroad is strongly discouraged except in the case of exhibitions for trade promotion.
- (iii) There will be a ban on holding of meetings and conferences at five star hotels.

2.2 Purchase of vehicles

- (i) Except for the operational requirements of Defence Forces, Central Paramilitary Forces and security related organisations, purchase of vehicles, including those against condemnation of the existing vehicles, will not be permitted.

2.3 Foreign Travel

- (i) It would be the responsibility of the Secretary of each Ministry/ Department to ensure that foreign travel is restricted to most necessary and unavoidable official engagements based on functional necessity and extant instructions are strictly followed.
- (ii) Ministries/Departments shall lay down quarterly ceilings based on the annual budget under foreign travel expenses which they may not exceed during the quarter in question. This will enable the Ministries/ Departments to prioritise and phase their expenditure during the whole year.
- (iii) Where travel is unavoidable, it will be ensured that officers of the appropriate level dealing with the subject are sponsored instead of those at higher levels. The size of delegation and the duration of visit will be kept to the absolute minimum.
- (iv) Proposals for participation in study tours, workshops/ conferences/seminars/presentation of papers abroad at Government cost will not be entertained except those that are fully funded by sponsoring agencies.

2.4 Creation of posts

There will be a total ban on creation of Plan and Non-Plan posts, except for new organisations which are set up during the course of the current year based on already approved schemes.

2.5 Consultancy Assignments

As per the extant instructions, consultancy assignments are to be awarded based on the provisions of the GFRs. In this context, the provisions of GFRs may be strictly followed and consultancy assignments may be awarded only for specific jobs which are well defined in terms of content and timeframe for their completion. Engagement of consultants may be resorted to only in situations requiring high quality services for which the concerned Ministry/Department does not have requisite expertise.

All Ministries/Departments may carry out a review of the Consultants appointed by that Ministry/ Department in the light of the provisions of the GFRs, and reduce the number of Consultants to the minimum requirement. Where individual Consultants are appointed by nomination, due economy may be observed while determining their fee and such fees may not be disproportionate to the work to be carried out by the Consultant.

3. **Observance of discipline in fiscal transfers to States, Public Sector Undertakings and Autonomous Bodies at Central/State/Local level**

3.1 No amount shall be released to any entity (including State Governments), which has defaulted in furnishing Utilisation Certifications for grants-in-aid released by the Central Government without prior approval of the Ministry of Finance.

3.2 Ministries/Departments shall not transfer funds under any Plan schemes in relaxation of conditionalities attached to such transfers (such as matching funding).

3.3 The State Governments are required to furnish monthly returns of Plan expenditure – Central, Centrally Sponsored or State Plan – to respective Ministries/Departments along with a report on amounts outstanding in their Public Account in respect of Central and Centrally Sponsored Schemes. This requirement may be scrupulously enforced.

3.4 The following specific steps may be adopted:

- (a) The unspent balances available with the States and implementing agencies must be taken into account before further releases are made.

- (b) The sanction for payment must clearly specify either that the payee has no utilization certifications as 'due for rendition' under the Rules under the scheme in question or that the payment has been authorised by Department of Expenditure.
- (c) For any deviation from the above, the case should be referred to the Department of Expenditure.
- (d) The Chief Controller of Accounts must ensure compliance with the above as part of pre-payment scrutiny.

4. **Balanced Pace of Expenditure**

- 4.1 Rush of expenditure towards the end of the financial year continues to be an area of concern. As per extant instructions, not more than one-third (33%) of the Budget Estimates may be spent in the last quarter of the financial year. Besides, the stipulation that during the month of March the expenditure should be limited to 15% of the Budget Estimates, is reiterated. Ministries/Departments which are covered by the Monthly Expenditure Plan (MEP) may ensure that the MEP is followed strictly
- 4.2 It is also considered desirable that in the last month of the year payments may be made only for the goods and services actually procured and for reimbursement of expenditure already incurred. Hence, no amount should be released in advance (in the last month) with the exception of the following:
 - (i) Advance payments to contractors under terms of duly executed contracts so that Government would not renege on its legal or contractual obligations.
 - (ii) Any loans or advances to Government servants etc. or private individuals as a measure of relief and rehabilitation as per service conditions or on compassionate grounds.
 - (iii) Any other exceptional case with the approval of the Financial Adviser. However, a list of such cases may be sent by the FA to the Department of Expenditure by 30th April of the following year for information.

5. Compliance

Secretaries of the Ministries/Departments being the Chief Accounting Authorities as per Rule 64 of GFR shall be fully charged with the responsibility of ensuring compliance of the measures outlined above. Financial Advisers shall assist the respective Departments in securing compliance with these measures and also submit an overall report to the Minister-in-Charge and to the Ministry of Finance on a quarterly basis regarding various actions taken on these measures/guidelines.



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Secretary (Expenditure)

All Secretaries to the Government of India

Copy to:

1. Cabinet Secretary
2. Principal Secretary to the Prime Minister
3. Secretary, Planning Commission
4. All Financial Advisers